

**SUBJECT: CDBG and HOME Rent Limits and Guidelines for HOME Floating Units
Policy Bulletin #25**

EFFECTIVE DATE: June 1, 2002

Rent limits apply to assisted units and vary according to the source of funds. Both HOME and Community Development Block Grant (CDBG) rents include a Utility Allowance. This policy bulletin will define:

- X Rent Limits Under the CDBG Program
- X Rent Limits Under the HOME Program
- X Guidelines for Floating Units Under the HOME Program

Rent Limits Under the CDBG Program

The maximum rents which may be charged for rental units rehabilitated with CDBG funds are the HUD Fair Market Rents (FMR). (See **Attachment A, Rent Limits**.) The FMR is a gross rent figure. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR when determining the maximum rent/contract rent, which may be charged for a specific unit size. (Please refer to **Attachment B, Utility Schedule**, when determining the amount of tenant paid utilities.)

Note: If the unit is in a MSHDA approved Neighborhood Preservation Program (NPP) or a Downtown Revitalization area, only 51 percent of the units in a structure must have gross rents at or below HUD's Fair Market Rents (FMR), with the remaining 49 percent of the units rented at market rates. (Additional information can also be found in Policy Bulletin #16.)

Rent Limits Under the HOME Program

For projects with one to four (1-4) HOME-assisted units, the maximum rent to be charged initially is established by HUD for the area. This figure is the lesser of the HUD published High HOME Rent (65% Rent Limit) or the FMR.

For projects with five (5) or more HOME-assisted units, 20 percent of the assisted units must be rented at the lesser of the Low HOME Rent (50 percent Rent Limit) or the FMR. The remaining 80 percent of the units must be rented at the lesser of the HUD published High HOME Rent (65 percent Rent Limit) or the FMR.

As with CDBG-assisted units, all rents include a utility allowance. The FMR and HOME rent limits are gross rent figures. Therefore, any utilities required to be paid by the tenant must be subtracted from the FMR or HOME rent limit when determining the maximum rent/contract rent, which may be charged for a specific unit size. Please refer to **Attachment B, Utility Schedule** when determining the amount of tenant paid utilities.

Rent Limits Under the HOME Program (*continued*)

Note:

- X Tenant incomes must be re-certified annually, with tenant self-certification permitted. If tenants are over income, rent is adjusted to 30 percent of their income, without utility allowance.
- X While the annual submittal of income is a requirement of tenancy, MSHDA does not require the grantee to pursue eviction if the tenant does not provide income or self-certification information. If the tenant refuses to provide his/her income, the unit rent will be established at the rent that unit would rent for if rents were unrestricted (fair street rent). This rent would not include a tenant utility allowance.

Guidelines for Floating Units Under the HOME Program

HOME-assisted units may change over time as long as the total number of HOME-assisted units does not change. As tenants' incomes change and vacancies occur, this allows the owner some flexibility to stay in compliance with HOME rules. The replacement units must be comparable in size, number of bedrooms, and amenities to those originally designed as HOME-assisted.

If a family occupying a "floating" High HOME Rent unit has increased income beyond 80 percent of the area median income (AMI), their rent would be increased to either 30 percent of the gross monthly income or the fair street rent. Therefore, their unit would cease to be tracked as a "HOME-assisted" unit. The owner would be required to rent the next comparable vacant unit to a family within the income limit and charge the High HOME Rent or the FMR, whichever is greater.

Should you desire further clarification on the above policy, please contact your Community Development (CD) Specialist or CD staff at (517) 373-1974.

Attachments:

S:\Publications\HRF Summary\2003 HRF Summary\2003-O Rent Limits.doc
S:\Forms\HOME\Utility Schedule.doc